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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 31, 1999

APPLICATION OF

KENTUCKY UTILITIES COMPANY

t/a OLD DOMINION POWER COMPANY

CASE NO. PUE990104

To revise its fuel factor

ORDER ESTABLISHING 1999/2000 FUEL FACTOR

On February 18, 1999, Kentucky Utilities Company, ("KU") t/a Old Dominion Power Company ("ODP" or "Company") filed with the Commission an application, exhibits, and a proposed tariff intended to decrease its current fuel factor from 1.208¢ per kWh to 1.164¢ per kWh, effective for bills rendered on and after April 1, 1999.

By order dated March 5, 1999, the Commission established a procedural schedule and set a hearing date for March 30, 1999. In that regard, the Commission directed its Staff to file testimony and provided an opportunity for interested persons to participate in the proceeding. No notices of protest were received.

On March 23, 1999, the Staff filed its testimony. Staff recommended that the Company's proposed estimates of energy sales and fuel expenses be accepted as reasonable, and recommended that the Commission approve a total fuel factor of

1.160¢ per kWh, effective with usage on and after April 1, 1999. The Staff's proposed fuel factor of 1.160¢ per kWh is slightly less than the 1.164¢ per kWh proposed by the Company because it reflects an updated deferred fuel balance that became available after the Company filed its application.

The Staff also recommended that ODP be required to notify the Division of Public Utility Accounting if the Company changes the accounts or subaccounts where it currently books brokered power transactions. The Company did not file any rebuttal testimony.

The hearing was held on March 30, 1999. At the hearing, the Company tendered its proof of service and notice, the Company's application and exhibits, and the Staff's testimony were entered into the record without cross-examination.

UPON CONSIDERATION of the record in this case, the Commission is of the opinion that a decrease in the Company's fuel factor to 1.160¢ per kWh is appropriate based, in part, on projected fuel expenses. Further, the Company shall notify the Division of Public Utility Accounting if the Company decides to change the accounts or subaccounts where it currently books brokered transactions.

Approval of this factor, however, is not construed as approval of the Company's actual fuel expenses. For each calendar year, the Commission's Staff conducts an audit and

investigation which addresses, among other things, the appropriateness and reasonableness of the Company's booked fuel expenses. Staff's results are documented in an Annual Report ("Staff's Annual Report"). A copy of Staff's Annual Report is sent to the Company and to each party who participated in the Company's last fuel factor proceeding, all of whom are provided with an opportunity to comment and request a hearing on the report.

Based on Staff's Annual Report, any comments or hearing thereon, the Commission enters an Order entitled "Final Audit for twelve-month period ending December 31, 19\_\_, Fuel Cost Recovery Position," hereinafter referred to as "Final Audit Order." Notwithstanding any findings made by the Commission in an earlier order establishing the Company's fuel factor based on estimates of future expenses and unaudited booked expenses, the Final Audit Order will be the final determination of not only what are, in fact, allowable fuel expenses and credits, but also the Company's over or underrecovery position as of the end of the audit period. Should the Commission find in its Final Audit Order (1) that any component of the Company's actual fuel expenses or credits has been inappropriately included or excluded, or (2) that the Company has failed to make every reasonable effort to minimize fuel costs or has made decisions resulting in unreasonable fuel costs, the Company's recovery

position will be adjusted. This adjustment will be reflected in the recovery position at the time of the Company's next fuel factor proceeding. We reiterate that no finding in this order is final, as this matter is continued generally, pending Staff's audit of actual fuel expenses. Accordingly,

IT IS ORDERED THAT:

(1) A total fuel factor of 1.160 per kWh is hereby approved effective for bills rendered on and after April 1, 1999.

(2) ODP shall notify the Division of Public Utility Accounting if the Company changes the accounts or subaccounts where it currently books brokered off-system power transactions.

(3) This case is continued generally.